

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 L-03 SS-15 NSC-05

FEA-01 INT-05 AGR-05 /094 W  
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R 251727Z JUL 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9380

INFO ALL EC CAPITALS 963

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E.O. 11652: NA

TAGS: PFOR, ETRD, EEC, UN

SUBJECT: EC POSITION FOR THE 7TH SPECIAL SESSION

REF: A) EC BRUSSELS 6700 B) EC BRUSSELS 6663

C) EC BRUSSELS 6677 D) EC BRUSSELS 5310

1. BEGIN SUMMARY: THE EUROPEAN COMMUNITY AND ITS MEMBER STATES HAVE AGREED TO BASE THEIR POSITION AT THE UNGA SEVENTH SPECIAL SESSION ON A SERIES OF GUIDELINES COVERING RAW MATERIALS AND DEVELOPMENT COOPERATION APPROVED BY THE COUNCIL ON JULY 22. PROPOSALS INCLUDE MEASURE DEALING WITH PRICE FLUCTUATION AND STABILITY OF EXPORT EARNINGS WHICH REPRESENT NEW COMPROMISES BY THE MEMBER STATES. THE GUIDELINES ARE DESIGNED TO BE SUFFICIENTLY CONCRETE BUT ALLOW ENOUGH FLEXIBILITY TO PERMIT A SPIRIT OF DIALOGUE AND COMPROMISE BETWEEN DCS AND LDCS. THE DOCUMENT ALSO INCLUDES PARAGRAPHS ON TRADE COOPERATION, INDUSTRIAL COOPERATION, TRANSFER OF FINANCIAL RESOURCES AND REFORM OF THE INTERNATIONAL MONETARY SYSTEM. HOWEVER, THE LATTER ARE LESS NOTEWORTHY THAN THE PROPOSALS ON  
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PRICES AND STABILITY OF EXPORT EARNINGS. END SUMMARY.

2. THE MISSION HAS OBTAINED THE TEXT OF THE "GUIDELINES" PAPER ON RAW MATERIALS AND RELATED ISSUES ADOPTED BY THE EC COUNCIL (FOREIGN MINISTERS) JULY 22 IN PREPARATION FOR THE UNGA SEVENTH SPECIAL SESSION (REFTELS). THERE FOLLOWS A SUMMARY OF THE DOCUMENT, WHICH, AFTER A PREAMBLE OF LAUDABLE OBJECTIVES, IS DIVIDED UNDER TWO HEADINGS, "RAW MATERIAL" AND "DEVELOPMENT COOPERATION". WE UNDERSTAND THE EC COMMISSION OFFICE IN WASHINGTON IS BEING INSTRUCTED TO BRIEF THE DEPARTMENT ON THE EC POSITION. US POSSESSION OF THIS DOCUMENT SHOULD NOT BE REVEALED. TEXT BEING MAILED TO RPE/CASEY.  
BEGIN SUMMARY OF TEXT:

3. GENERAL APPROACH: THE EC AND ITS MEMBER STATES MUST PLAN AN ACTIVE AND CONSTRUCTIVE ROLE BY SUBMITTING PROPOSALS FOR ACTION TO BE NEGOTIATED AND IMPLEMENTED AT INTERNATIONAL LEVEL. THE PROPOSALS ARE IN THE FORM OF GUIDELINES-- SUFFICIENTLY CONCRETE BUT NOT RIGID AND DETAILED--ALLOWING FOR DIALOGUE AMONG THE PARTIES. THE NINE SHOULD TAKE A COMMON POSITION ON MATTERS WITHIN THE COMMUNITY'S PERVIEW AND EVEN ON MATTERS OUTSIDE THE COMMUNITY'S COMPETENCE SHOULD STRIVE FOR A COHESIVE AND COMMON APPROACH IN "A SPIRIT OF DIALOGUE AND CONVIATION" AIMED AT ACHIEVING A GENUINE CONSENSUS BASED ON MUTUALLY ACCEPTABLE COMPROMISES BETWEEN DCS AND LDCS.

4. A "BETTER BALANCED AND MORE EQUITABLE STRUCTURE OF INTERNATIONAL ECONOMIC RELATIONS, INCLUDING A STRENGTHENING OF THE POSITIONS OF THE DEVELOPING COUNTRIES", TAKING INTO ACCOUNT THE PROBLEMS OF THE POOREST LDCS, IS THE OBJECTIVE TO BE PURSUED. ALL INDUSTRIALIZED COUNTRIES SHOULD SHARE EVENLY IN THE ECONOMIC AND COMMERCIAL CONSEQUENCES OF SUCH MEASURES, AND FINANCIAL COSTS SHOULD BE SHARED AMONG "ALL THE PARTIES WITH ADEQUATE RESOURCES", AS WELL AS THE INTERNATIONAL FINANCIAL INSTITUTIONS, "PARTICULARLY BY ADAPTING AND IMPROVING SOME OF THEIR PRESENT MACHINERY".

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5. RAW MATERIALS: PROPOSALS ON RAW MATERIALS ARE BASED ON SEVERAL GUIDING PRINCIPLES: A) GROWTH AND STABILITY OF LDC EXPORT EARNINGS FROM RAW MATERIALS THROUGH DIVERSIFICATION OF THEIR PRODUCTION AND BY THE PROCESSING OF RAW MATERIALS; B) PRICES WHICH ARE "FAIR FOR THE CONSUMER AND REMUNERATIVE FOR PRODUCERS" AND WHICH ENCOURAGE LONG-TERM MARKET EQUILIBRIUM; C) SPECIAL TREATMENT FOR THE POOREST PRODUCERS; D) MORE OUTLETS

FOR PRODUCERS AND MORE STABLE SUPPLIES FOR CONSUMERS;  
E) ADEQUATE INVESTMENT IN COMMODITY PRODUCING SECTORS.

6. IN CONJUNCTION WITH THESE PRINCIPLES THE FOLLOWING  
PROPOSALS FOR ACTION ARE SUGGESTED:

7. MEASURES TO LIMIT PRICE FLUCTUATIONS: "WITH REGARD TO THE PRICE OF RAW MATERIALS, IT IS IN THE INTEREST OF EVERYONE, AND IN PARTICULAR THE PRODUCER DEVELOPING COUNTRIES, TO AVOID EXCESSIVE FLUCTUATIONS AND TO FIND FAIR LEVELS FOR CONSUMERS AND REMUNERATIVE LEVELS FOR PRODUCERS WHICH WILL ENCOURAGE A LONG-TERM BALANCE BETWEEN RISING PRODUCTION AND CONSUMPTION. THE COMMUNITY IS THUS PREPARED TO EXAMINE WHICH PRODUCTS CREATE DIFFICULTIES FOR THE DEVELOPING COUNTRIES AND INSTRUMENTS AND MEANS OF SOLVING THESE DIFFICULTIES. THE INSTRUMENTS (E.G. COMMODITY AGREEMENTS) MAY COVER A VERY WIDE RANGE AND WHERE NECESSARY BE COMBINED. A CHOICE CANNOT BE MADE WITHOUT CONSIDERING SPECIFIC CASES. THE IMPLEMENTATION OF SUCH SOLUTIONS SHOULD ALSO PROMOTE STABILITY OF SUPPLIES."

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TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 L-03 SS-15 NSC-05

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8. INTERNATIONAL ACTION ON THE STABILIZATION OF EXPORT EARNINGS: "AS FAR AS EXPORT EARNINGS ARE CONCERNED, THE COMMUNITY RECOGNIZES THE SERIOUSNESS OF THE PROBLEMS CREATED BY THE INSTABILITY OF THE EARNINGS OF DEVELOPING COUNTRIES EXPORTING RAW MATERIALS. REFERRING AT THE SAME TIME TO SPECIFIC ACTION AGREED UNDER THE CONVENTION OF LOME, THE COMMUNITY AND THE MEMBER STATES UNDERTAKE TO PROMOTE AND PARTICIPATE IN INTERNATIONAL ACTION IN ORDER TO COUNTER THE AFOREMENTIONED PROBLEMS. SUCH ACTION WOULD INVOLVE:

- IMPROVING THE IMF MECHANISMS OF COMPENSATORY FINANCING FOR THE BENEFIT OF DEVELOPING COUNTRIES PRODUCING RAW MATERIALS;
- IMPLEMENTING SPECIFIC MEASURES FOR THE BENEFIT OF THE POOREST DEVELOPING COUNTRIES, TO BE APPLICABLE IN THE EVENT OF A FALL IN EXPORT EARNINGS FROM THEIR PRODUCTS, THE DETAILED IMPLEMENTING RULES BEING ADJUSTED TO THE GENERAL FINANCIAL SITUATION OF THE COUNTRIES IN QUESTION."

9. PRODUCTION AND SUPPLY: THE DOCUMENT STATES THAT LIMITED OFFICIAL USE

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"CONDITIONS SHOULD BE SOUGHT AT INTERNATIONAL LEVELS WHICH FACILITATE THE PRODUCTION AND SUPPLY OF RAW MATERIALS AGAINST A BACKGROUND OF COOPERATION. EMPHASIS IS PLACED ON THE IMPORTANT ROLE ALSO PLAYED BY THE PRODUCTION AND SUPPLY OF FOOD PRODUCTS".

10. ADDITIONAL MEASURES ARE ALSO SUGGESTED UNDER THE "RAW MATERIALS" THEME IN THE AREAS OF INFORMATION AND CONSULTATION, TRADE COOPERATION AND INDUSTRIAL COOPERATIONS.

11. DEVELOPMENT COOPERATION: THE OTHER MAJOR THEME OF THE DOCUMENT, "DEVELOPMENT COOPERATION", COVERS TRADE COOPERATION, INDUSTRIAL COOPERATION, TRANSFER OF FINANCIAL RESOURCES AND REFORM OF THE INTERNATIONAL MONETARY SYSTEM.

12. TRADE COOPERATION: UNDER THIS HEADING THE EC SHOULD "MAKE A CONSTRUCTIVE CONTRIBUTION TO THE INTERNATIONAL DISCUSSIONS ON SUBSTANTIALLY IMPROVING CONDITIONS FOR ACCESS TO MARKETS FOR PRIMARY AND PROCESSED PRODUCTS OF INTEREST TO THE LDCS". THE EC'S GSP SHOULD CONTINUE TO STEADILY IMPROVE AND BE EXTENDED BEYOND 1980. REFERENCE IS MADE TO THE TOKYO DECLARATION'S PROVISION THAT SPECIAL ACCOUNT BE TAKEN OF LDC INTERESTS (I.E. TROPICAL PRODUCTS, TARIFF REDUCTION FORMULAE, AND PROCEDURES FOR ADOPTING ANY NTB SOLUTIONS TO

SPECIFIC REQUIREMENTS OF THE LDCS.) IMPROVEMENT IN THE GSP AND THE RESULTS OF THE MTN SHOULD LEAD TO "DECREASED PROTECTION OF ADDED VALUE FOR PRODUCTS OF FIRST STAGE PROCESSING." TRADE PROMOTION AND EQUITABLE SOLUTIONS TO THE PROBLEM OF EXPORT RESTRICTIONS ARE ALSO IMPORTANT.

13.INDUSTRIAL COOPERATION: LDC INDUSTRIAL DEVELOPMENT SHOULD BE SPEEDED UP BY IMPROVED INTERNATIONAL DIVISION OF LABOR THOROUGH THE EXPANSION OF PRODUCTION CAPACITY TAKING ACCOUNT OF THE EMPLOYMENT PROBLEMS FACING BOTH DCS AND LDCS. CONCERNING THE UNIDO DECLARATION AND PROGRAM OF ACTION ADOPTED IN LIMA, THE COMMUNITY SHOULD CONFIRM ITS AGREEMENT ON THOSE PARAGRAPHS ON LIMITED OFFICIAL USE

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WHICH A CONSENSUS WAS REACHED BY ALL EC MEMBER STATES

WITHOUT ANY RESERVATION. INDUSTRIALIZATION SHOULD BE PROMOTED BOTH BY EFFORTS IN FINANCIAL, TECHNICAL AND TRADE COOPERATION AND PROMOTION OF REGIONAL INTEGRATION, AS WELL AS BY WORKING TO BRING ABOUT "A REASONABLE BALANCE BETWEEN THE INTERESTS OF THE DEVELOPING COUNTRIES (E.G. BY PREVENTING THE MISUSE OF DOMINANT POSITIONS) AND THOSE OF UNDERTAKINGS (E.G. BY SECURING STABLE OPERATIONAL CONDITIONS)". INDUSTRIAL PROMOTION AND COOPERATION SHOULD BE ENCOURAGED THROUGH MEASURES AIMED AT IMPROVED SYSTEMS OF INFORMATION GATHERING, EXCHANGE, AND FORECASTING AS WELL AS ENCOURAGING CONTACTS BETWEEN THOSE CONCERNED WITH INDUSTRIAL DEVELOPMENT. THE EC CAN CONTRIBUTE TO IMPROVEMENTS IN THE CONDITIONS FOR TRANSFER OF TECHNOLOGY THROUGH PARTICIPATION IN UNCTAD DISCUSSIONS ON AN INTERNATIONAL CODE OF CONDUCT. "COOPERATION FROM THE LDCS TO PROVIDE A MORE RECEPTIVE ATMOSPHERE (UNDERLINED) AND MORE STABLE WORKING CONDITIONS FOR FOREIGN OPERATORS" IS ALSO CALLED FO.

14. TRANSFER OF FINANCIAL RESOURCES: THIS SECTION IS PARTICULARLY IMPORTANT, THE DOCUMENT NOTES, FOR THE POOREST COUNTRIES WHICH DO NOT PRODUCE RAW MATERIALS. TRIANGULAR ARRANGEMENTS TO MOBILIZE EXCESS FINANCIAL RESOURCES OF OIL EXPORTING LDCS ARE ENCOURAGED AND THE EC COUNCIL RESOLUTION OF JULY 16, 1974 ON THE EC COMMITMENT TO A 0.7 PERCENT GNP OFFICIAL DEVELOPMENT ASSISTANCE (ODA) TARGET IS RECONFIRMED. CONSIDERABLE FINANCIAL TRANSFERS, ESPECIALLY TO THE POOREST LDCS AND THE PROBLEM OF LDC INDEBTEDNESS, ARE STRESSED AS IMPORTANT AREAS OF CONCERN. THE EC FAVORS THE SETTING UP OF A FINANCING MECHANISM SOMEWHERE BETWEEN THE

IBRD AND IDA ARRANGEMENTS I.E. "THIRD WINDOW/ AND  
INDICATES WILLINGNESS TO CONTRIBUTE ALONG WITH OTHERS IN  
A POSITION TO DO SO, TO THE IMF "OIL FACILITY". ON FOOD AID  
THE EC IS READY, "WHILST GIVING PRIORITY TO INCREASING FOOD  
PRODUCTION IN THE LDCS,...TO CONTINUE ITS FOOD AID  
EFFORTS TAKING INTO ACCOUNT THE OBJECTIVES  
ACCEPTED AT THE WORLD FOOD CONFERENCE".  
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15. REFORM OF THE INTERNATIONAL MONETARY SYSTEM:  
CURRENT DISCUSSIONS ON IMPROVING THE OPERATION OF THE  
INTERNATIONAL MONETARY SYSTEM NEED TO BE SPEEDED  
UP AND CONSIDERATION OF LDC INTEREST TAKEN INTO ACCOUNT.  
THE DOCUMENT NOTES THAT THREE AREAS--THE SDR LINK,  
THE FREEING OF IMF GOLD ASSETS AND THE QUESTION OF  
SHARES AND VOTING RIGHTS IN THE IMF ARE CURRENTLY UNDER  
EXAMINATION IN THE EC COUNCIL AND NO POSITION IS TAKEN  
AT PRESENT.  
MORRIS

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## Message Attributes

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